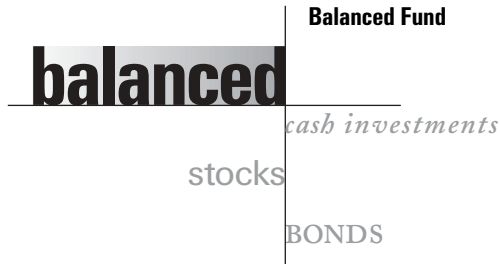


Dodge & Cox Balanced Fund



Who Should Invest

- Investors seeking long-term growth of capital and income.
- Investors with a long-term investment horizon (at least five years).
- Investors seeking moderate dividend income.

Who Should Not Invest

- Investors unwilling to accept significant fluctuations in share price.

Share Class Assets: \$7,884,929,738
as of December 31, 2002

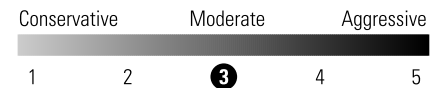
Expenses: 0.53%*

Ticker Symbol: DODBX

Newspaper Listing: Balan

Fund Inception: June 26, 1931

Overall Risk Level:



Investment Objective

Dodge & Cox Balanced Fund seeks long-term growth of principal and income, regular income, and conservation of principal.

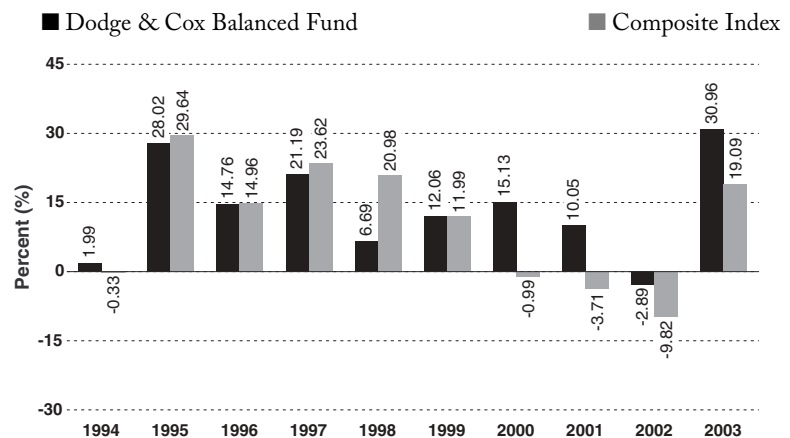
Investment Strategy

The fund holds a mix of common and preferred stocks and fixed income securities. The fund invests in companies considered by the fund's management to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The fund will hold no more than 75% of its total assets in stocks. The fund's management constructs a diversified portfolio of investment-grade fixed income securities, including: U.S. government obligations, mortgage and asset-backed securities, corporate bonds, collateralized mortgage obligations (CMOs), and others. Stocks offer the potential for growth and income from dividends, while fixed income securities may provide stability and income from interest payments.

See reverse side for Fund Profile.

Performance

Annual Returns 1994–2003 — Dodge & Cox Balanced Fund
vs. Composite Index**



Total Returns for Periods Ended December 31, 2003***

	Year to Date	1 Year	3 Years	5 Years	10 Years
Dodge & Cox Balanced Fund	24.44%	24.44%	9.97%	11.40%	12.76%
Composite Index	18.47%	18.47%	0.95%	2.67%	9.74%

*For most recent fiscal year.

**The Composite Index is a combination of unmanaged industry benchmarks: 60% Standard & Poor's 500 Index and 40% Lehman Aggregate Bond Index.

***Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns.

Dodge & Cox Balanced Fund

Fund Profile

Asset Allocation

As of September 30, 2003

1. Stocks	63.0%
2. Bonds	21.1
3. Short-Term Investments & Other	15.9

Top Sector Holdings

As of September 30, 2003

1. Business Services	8.0%
2. Consumer Goods	7.0
3. Consumer Services	8.6
4. Energy	9.2
5. Financial Services	19.9
6. Hardware	7.3
7. Health Care Services	9.8
8. Industrial Materials	17.4
9. Media	6.0
10. Software	0.6
11. Telecommunications	3.8
12. Utilities	2.4

Largest Stock Holdings*

As of September 30, 2003

1. AT&T
2. McDonald's
3. Comcast Cl A
4. Dow Chemical
5. Bank One
6. News
7. Hewlett-Packard
8. HCA-The Healthcare Company
9. Sony ADR
10. Xerox

Top Ten as % of Total Net Assets 15.6%

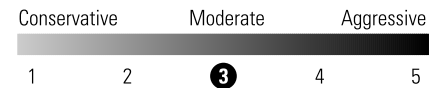
*Fund holdings are subject to change.

A Few Words About Risk

When investing in balanced funds, short-term losses (or gains) are common. Most often, losses stem from drops in the stock market (resulting from changing views about the economy and individual companies) or the bond market (resulting from changes in interest rates). However, over extended periods the market's ups have tended to outweigh its downs. There is no guarantee this will continue. Usually, the longer you hold your investment, the lower your chances of losing money.

Additionally, because balanced funds contain a mix of stocks and bonds, movements in one market can help

Overall Risk Level:



dampen movements in the other (for example, Dodge & Cox Balanced Fund's bond holdings can help to lessen the overall risk level of stocks).

Balanced fund investors should also consider the possibility that a bond issuer may be unable to make interest payments or to pay back the amount of the original investment on time—or at all. Bonds issued by the U.S. government and its agencies carry the highest level of credit protection.

Investment Terms

Bond: An investment in which you lend money to a company, a government, or a government agency. The bond issuer agrees to pay back the loan by a certain date and to pay interest during that period.

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Market Risk: The chance that the value of an investment will change because of rising (or falling) stock or bond prices.

Mutual Fund: An investment company that combines the money of thousands of people and invests it in a number of securities (stocks, bonds, short-term reserves) to achieve a specific objective over time.

Total Return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

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Performance figures include the reinvestment of all dividends and any capital gains distribution. All returns are net of expenses. Return figures reflect past performance, which is no guarantee of future results. The investment return and principal value will fluctuate. An investor's shares, when redeemed, may be worth more or less than the original cost.

All funds are offered by prospectus only. Prospectuses contain more complete information on risks, advisory fees, distribution charges, and other expenses and should be read carefully before you invest or send money. Prospectuses can be obtained directly from The Vanguard Group, P.O. Box 2900, Valley Forge, PA 19482-2900, or by calling 1-800-523-1188.